



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0355	Title:	Unemployment for certain school employees between terms
Primary Sponsor:	Wanzenried, David E	Status:	As Amended in Senate Committee

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|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$3,065,604	\$3,159,211	\$3,929,910	\$4,015,770
Montana University System funds	\$0	\$0	\$398,144	\$420,452
Other - Unemployment Insurance Trust	\$14,070,342	\$14,497,123	\$14,820,746	\$15,144,699
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - Unemployment Insurance Trust	\$10,948,587	\$11,978,454	\$14,820,746	\$15,144,699
Net Impact-General Fund Balance:	<u>(\$3,065,604)</u>	<u>(\$3,159,211)</u>	<u>(\$3,929,910)</u>	<u>(\$4,015,770)</u>

Description of fiscal impact: SB 355 provides unemployment insurance benefits to non-instructional school employees between-term breaks (summer vacation). Non-instructional employees typically include janitorial, kitchen, maintenance personnel, bus drivers, and non-instructional aides at private and public schools K-12, colleges and universities.

FISCAL ANALYSIS

Assumptions:

- SB 355 provides unemployment insurance benefits to non-instructional school employees between-term breaks (summer vacation). Non-instructional employees include janitorial, kitchen, maintenance personnel, bus drivers, and non-instructional aides at private and public K-12 schools, colleges, and universities.

K-12 School Districts

- The Montana Schools Unemployment Insurance Program (MSUIP), estimates 85% of all school employees or 27,313 individuals are covered by MSUIP. The total school employees are estimated to be 32,133.
- The remaining 4,820 school employees are insured by the state Unemployment Benefits with the Department of Labor.
- The following table identifies the estimated number of K-12 employees that would qualify for SB 355.

	Total K-12 employees	85% to MSUIP	15% to DOLI UI
Total Employees	32,133	27,313	4,820
Less: Certified Staff	(12,536)	(10,656)	(1,880)
Paraprofessionals	(1,970)	(1,675)	(296)
Substitutes	(2,000)	(1,700)	(300)
Coaches - non-certified	(500)	(425)	(75)
Employees that qualify for unemployment benefits from SB 355	15,127	12,858	2,269

5. Certified staff and instructional paraprofessionals are as reported to the Office of Public Instruction by school districts.
6. The number of substitutes is based on the number in Helena and prorated to the rest of the state for a total of 2,000 teachers. This is approximately one substitute for every 5 teachers statewide. Note most of these individuals are part-time.
7. The number of coaches that are not certified teachers is estimated at 500. There are 161 high school districts in the state; this would be approximately 3 coaches per high school district.
8. The K-12 total salaries for functions other than instruction, administration, or extra-curricular is estimated to be \$189 million in FY 2006.
9. The average wage for each of the estimated 15,127 employees is \$12,500 in FY 2006 (\$189 million/15,127). The estimated weekly benefit for each of these individuals is \$125 per week in FY 2006.
10. The Department of Labor and Industry was unable to determine any industry that provides sound comparison characteristics with school workers that would apply for unemployment insurance. It is assumed that 50% of eligible employees apply for unemployment insurance.
11. The weekly benefit growth rate per year is 2.5% for each year after FY 2006 as shown in the following chart:

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Average weekly benefit	\$125	\$128	\$131	\$135	\$138	\$141

12. The typical summer break for secondary school non-instructional staff is 12 weeks. Additional breaks within the school year will be 2 weeks. For a total of 14 weeks of unemployment. Benefits would be payable after one waiting week for a total of 13 weeks of eligibility for payments.
13. Private and other schools are estimated to have 1,982 employees with 40% eligible for benefits.

K-12 summary of costs and benefits

Type of Program	All Employ- ees	Eligible Employ- ees	Will Apply 50%	FY 2008 Benefits \$131 @ 13 weeks	FY 2009 Benefits \$135 @ 13 weeks	FY 2010 Benefits \$138 @ 13 weeks	FY 2011 Benefits \$141 @ 13 weeks	Est. G.F. Share	FY 2008 G.F. Costs	FY 2009 G.F. Costs	FY 2009 G.F. Costs	FY 2009 G.F. Costs
Governmental K-12	4,820	2,269	1,135	\$1,932,054	\$1,991,048	\$2,035,293	\$2,079,539	28%	\$0	\$0	\$569,882	\$582,271
Reimbursable K-12 (MSUIP)	27,313	12,858	6,429	\$10,948,587	\$11,282,895	\$11,533,626	\$11,784,357	28%	\$3,065,604	\$3,159,211	\$3,229,415	\$3,299,620
Experience Rated Private Schools/Other	1,982	793	396	\$674,950	\$695,559	\$711,016	\$726,473	NA	\$0	\$0	\$0	\$0
Total	34,115	15,920	7,960	\$13,555,590	\$13,969,502	\$14,279,935	\$14,590,368		\$3,065,604	\$3,159,211	\$3,799,297	\$3,881,891

14. The additional costs to the districts outlined in the table below will be charged to the school district retirement fund, which is funded with a state guaranteed tax base aid and county mills. Under current law, the state and the county

share the funding of the retirement account. The state guarantee ratio of counties varies significantly, but averages 28%.

15. Assumes that district can predict and budget accurately these costs in the district retirement fund.

Department of Labor and Montana Schools Unemployment Insurance Program

16. These benefits are paid primarily in the summer when Department of Labor has a slower than usual workload. Department of Labor determined they would be able to absorb the workload of claims created by SB 355.
17. There are three types of school accounts; each has a different immediate impact on school costs related to this bill:
- Governmental: There will be no effect on governmental employer rates until July 1, 2009 (FY 2010) due to the timing of calculations affecting governmental rate schedules. Governmental rates would not be impacted until the charges in 2007 have an effect on the July 1, 2009 rate. It is impossible to predict the degree of effect on individual accounts' rating or the entire rate schedule for governmental accounts. Governmental rate changes are timed to coincide with the state fiscal year.
 - Reimbursable: School districts that have chosen the reimbursable status with the Department will see increased costs immediately. These accounts are charged dollar for dollar for their benefits paid, billed monthly or quarterly. Approximately 85% of the school wages are from reimbursable accounts. The revenues shown in the Fiscal Impact section (page 3) are from reimbursable employers who will immediately begin making payments to the Trust Fund.
 - Experience rated: Similar to Governmental except for private entities. There will be no effect on the experience rated employers in the first six months of FY 2008 due to the time lag incurred for benefit charges to affect the rating structure. It is impossible to predict the degree of effect on individual accounts' rating or the entire rate schedule for experience-rated accounts. Each account is evaluated annually based on benefits charged and taxes paid, and new rates are assigned for each calendar year.
18. Approximately 85% of school employers (The Montana Schools Unemployment Insurance Program) are served by "reimbursable" accounts. Each reimbursable employer is charged dollar for dollar for the benefit charges related to employees. The unemployment insurance trust fund recovers charges monthly or quarterly.
19. Approximately 10% of school employers are served by "governmental" accounts. Governmental rates would not be impacted until the charges in 2007 have an effect on the FY 2010 rate.
20. Approximately 5% of school employers are covered by "experience rated" accounts. As more benefits are charged to a particular experienced rated employer, the tax rate increases. However, experience ratings are only recalculated annually. The immediate impact of the charges is a draw on the trust fund. In following years, SB 355 could result in a possible schedule shift upwards for all rates.
21. Private schools and colleges are estimated at 5% of the education employment and are assumed to be experience rated.
22. Revenues received by the Unemployment Insurance Trust fund will be equal to the reimbursable benefits plus one-half the experience rated benefits in FY 2008 and equal to the reimbursable and the experience rated benefits in FY 2009.
23. Revenues received by the Unemployment Insurance Trust fund will be equal to the benefits in the 2011 biennium.

Montana University System (MUS)

24. It is assumed that there are 3,500 classified employees in the MUS. Approximately 10% or 350 employees are on 10 month contracts.
25. The MUS assumes that 20% of these employees are in the Current Unrestricted Funds and 80% are in Other University Funds such as Auxiliaries. The general fund is projected to fund 85% of the Current Unrestricted Funds costs.
26. The average annual wage of these employees is estimated at \$33,600. The weekly benefit rate is approximately 1% of the annual wages which translates into \$336 a week.
27. The table below reflects the costs to the state of 50% would apply for benefits.
28. The weekly benefit growth rate per year is 2.5%.

Type of Program	Classified Employees	Number Eligible	Would Apply 50%	FY 2008 Benefits \$336 @ 8 weeks	FY 2009 Benefits \$344 @ 8 weeks	FY 2010 Benefits \$353 @ 8 weeks	FY 2011 Benefits \$362 @ 8 weeks	Est. G.F. Share	FY 2008 G.F. Costs	FY 2009 G.F. Costs	FY 2010 G.F. Costs	FY 2011 G.F. Costs
Governmental MT University System	3,500	350	175	\$470,400	\$482,160	\$494,214	\$506,569	17%	\$0	\$0	\$84,016	\$86,117

Montana School for the Deaf and Blind (MSDB)

29. It is assumed that 33 employees at MSDB would be eligible for SB 355.

30. The average wage of these employees is \$10 an hour or \$20,860 per year. The weekly benefit rate is approximately 1% of the annual wages which translates into \$208 a week.

31. The table below reflects the costs to the state of 50% would apply for benefits.

32. The weekly benefit growth rate per year is 2.5%.

Type of Program	Number Eligible	Would Apply at 50%	FY 2008 Benefits \$209 @ 8 weeks	FY 2009 Benefits \$214 @ 8 weeks	FY 2010 Benefits \$220 @ 8 weeks	FY 2011 Benefits \$225 @ 8 weeks	Est. G.F. Share	FY 2008 G.F. Costs	FY 2009 G.F. Costs	FY 2010 G.F. Costs	FY 2011 G.F. Costs
Governmental MSDB	33	16.5	\$44,352	\$45,461	\$46,597	\$47,762	100%	\$44,352	\$45,461	\$46,597	\$47,762

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services UI costs - MUS & MSDB	\$0	\$0	\$528,757	\$554,331
Local Assistance to school districts	\$3,065,604	\$3,159,211	\$3,799,297	\$3,881,891
Benefits (UI trust Fund)	\$14,070,342	\$14,497,123	\$14,820,746	\$15,144,699
TOTAL Expenditures	\$17,135,946	\$17,656,334	\$19,148,800	\$19,580,921

Funding of Expenditures:

General Fund (01)	\$3,065,604	\$3,159,211	\$3,929,910	\$4,015,770
Other MUS funds	\$0	\$0	\$398,144	\$420,452
Other (UI Trust Fund)	\$14,070,342	\$14,497,123	\$14,820,746	\$15,144,699
TOTAL Funding of Exp.	\$17,135,946	\$17,656,334	\$19,148,800	\$19,580,921

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0
Other (UI Trust Fund)	\$10,948,587	\$11,978,454	\$14,820,746	\$15,144,699
TOTAL Revenues	\$10,948,587	\$11,978,454	\$14,820,746	\$15,144,699

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$3,065,604)	(\$3,159,211)	(\$3,929,910)	(\$4,015,770)
Other (UI Trust Fund)	(\$3,121,755)	(\$2,518,669)	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. School districts that are reimbursable employers will experience an increase in benefit charges and a corresponding increase in reimbursements due the trust fund beginning in June 2007. School districts that are governmental or experience rated will not see an immediate impact. Refer to assumption 17.
2. Unemployment insurance costs are paid out of the school district retirement fund which is a permissive levy to the local taxpayer. The added costs of SB 355 would mean increased permissive taxes levied on local taxpayers. The additional costs are anticipated to be 72% of the cost of increased benefits to school districts or approximately \$10 million per year.

Long-Range Impacts:

The increased ratio of total benefit charges to total wages may trigger higher tax rates for the governmental and experience rated school employers in future years. There is an increased probability that all employers would experience an increased tax rate.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date